

allowed into long distance yet. We don't think all the arguments that have been put forth in this by CompTel and others, which we're a member of, we support. That's very different though than an interpretation that says that under the Act they are allowed to trade marketing arrangements, and we think that as a new carrier we have to find creative ways to compete. We cannot afford to spend the kind of hundreds of millions of dollars that the big carriers spend on mass media advertising and direct mail. We don't have the existing customer relationships that many of them inherited from the days when they were monopolies and similarly we have to continue to take entrepreneurial risks, as we did with the building of this network, to find ways to satisfy customers. Customers have made it loud and clear that there are lots of elements in the long distance marketing world that they don't like. They don't like being interrupted at dinner time on telemarketing calls. They don't like the slamming that is gone in and as you know the Senate voted the other day 99-0 on a tough slamming bill which we support; so, we being a new carrier are trying to find new and creative ways to reach those customers and I believe something that's been overlooked by a lot of people, probably including the Bells, in terms of having not explored it earlier is this provision that we believe allows them and they believe allows them to enter marketing arrangements. Now I should point out because this has been misunderstood also, we set the price; we do the provisioning; it rides on our switches and on our network; we have standard billing and collection agreements with all of the Bells, like other long distance carriers. The only thing they do is put it inside some of their own marketing offer. In the case of Ameritech it's called "Complete Access," and they market to their customer base. I still market this service and other services in their territory. I still have my voice over IP service, which none of the Bells have access to which I market against all comers because of market segment. So, I see it as another distribution agreement. Now, I think what's particularly important is the fact that, two things, one is that both of these companies picked Qwest. Somebody asked me on another call, did we break ranks with the long distance industry. Well we don't quite see it that way. We don't think there are ranks in the long distance industry. There are big guys and there are little guys and the big guys don't want the little guys to grow and are trying to block some of our marketing arrangements. We are not the same. We spent \$2 million to build this state of the art network. It's built for multi-media and IP but we have always said we will handle the standard services. We have a lower cost structure and we are willing to take some risks and pass those risks on to customers or pass that cost savings on. I find it somewhat surprising and a bit anticompetitive that the big carriers through these associations they have with small CLECs who they have enormous supplier and buyer power

over have created this law suit. Now, noteworthy, I should point out the suit is against U S WEST. We are not a defendant in the suit. I don't know what the claim would be against us. I guess they would prefer we not market long distance, but I don't think they can make a claim on that. We think it's in the interest of public policy. Our first 3 days with U S WEST generated over 40,000 customer orders. That was something that U S WEST announced yesterday. It clearly shows that consumers and small businesses understand it and want the benefit and we are delighted. I am, quite frankly, very surprised noone else has gone in and tried to set up a similar arrangement and have given us this kind of time to market advantage and this kind of brand building recognition. I know, quite frankly, I couldn't spend enough money to get my brand known as well as the big carriers are now helping it be established by filing suit against it, or against U S WEST; so, I guess in a certain perverse way I thank them for it. We understand that there may be some dispute that this is an area of gray. We're certainly going to follow anything that the regulators or courts tell us to do. Our interpretation is this is what the Telecommunications Act meant to have happen and, you know, we will go from there. We're confident that when the dust settles on this, these programs will continue to go forward as they are today in U S WEST territory and as they are beginning today in Ameritech territory, and I hope as time goes on we can similarly convince other large reputable companies that our network, our entrepreneurial spirit, our customer focus is sufficient that they would allow us to enter into teaming agreements with them. So, that's what we announced today. We are very pleased that 2 very big, quality companies have selected Qwest to do this with. I'm sure in the future they will select others also, but that's just the way competition works. We're delighted to be the first. We're delighted that some people are recognizing us as being innovative and entrepreneurial because that's what we think we're about and we are very delighted that the customer response has been as great as it is. So, Lee, can I turn it back to you for questions.

LEE: Sure. Chris. Can we have the instructions please.

OPERATOR: Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, you will need to press the 1 followed by the 4 on your push button phone. You will hear a 3 tone prompt acknowledging your request and your questions will be pulled in the order they are received. If your question has been answered and you wish to withdraw your call-in request, you may do so by pressing the 1 followed by the 3 on your push button phone. If you are on a speaker phone, please pick up your handset before entering your number. One moment please for the first question.

LEE: As usual, I would ask that we minimize the number of parts in our multi-part questions.

NACCHIO: It's usually because I can't remember them all.

OPERATOR: Todd Jacobs from Sanford Bernstein. Please go ahead with your question.

TODD: Good morning. Couple of questions. I'll try to be minimal.

NACCHIO: Thanks, Todd. I'll try to remember them.

TODD: Okay. What are the arrangements with toll revenues exactly? Who's going to provide them? Do they come along automatically with the LD and who keeps the revenue and that, I guess, would apply not just to this but also the U S WEST case if it's different? Secondly, relative to the equal access issue, you know, I keep hearing, I heard U S WEST say it and then today I heard Ameritech say it "Well, you know it's available to all comers." Is it really true that the entire package that they are offering would be available to all comers, and I realize that this is maybe more a question for them but they're not on the call so ...

NACCHIO: Well, Todd, I can answer that. Let me start with the second one. I can tell you the answer is yes, because several of the long distance carriers were interested in having this arrangement (okay?) and then decided for some reason not to go where we went. I don't know why, but others have looked at this. Others have been in discussions and I think others will do it; so, that's the most important point, but you're right, you should talk to them. I can tell you having worked now with U S WEST on this for a while they are very sincere. If someone wants to step up and trade the equivalent offer and step in, they will do it. I'm kind of glad that my colleagues in the long distance industry, for some reason, aren't because it's given me enormous time to market and marketing advantages but, to be perfectly frank, I don't get it why they haven't.

TODD: But, Joe, let me just ask you one little follow up on that and that's the idea that others have to step up and meet the U S WEST and Ameritech requirements makes it sound like there's something in it that, you know, they can sort of choose to do or not to chew it.

NACCHIO: No. Once they step up, I'm saying that we put a rate out there that's 7x24, 10 cents a minute in U S WEST territory. If somebody wanted to go to U S WEST tomorrow and say I want 10 cents a minute I'm sure they would. Now, if somebody wanted to go and say I want the same offer and it's got to be 15 cents a minute because that's where the average price is of the big carriers who are objecting, I

think U S WEST would do it. I don't think any customers would buy it; but, you know, that's a different story. You have to remember what this is about is marketing to customers and let's remember that the objections are coming from folks who have enjoyed and frankly I used to be one of them the very cozy lockstep oligopoly pricing strategy that they've been on, but you know that's just the way life is. If they want to jump, they can do it also. Their promos they can try that. This is about being innovative and creative and I just object to the fact that they're trying to kind of thwart us. This isn't about 271. Remember, I disagree with Sol. I disagree with Dick and Ameritech on their 271 positions and we're going to fight that (Okay?) and they know that; but, that's not what this is about. This is not about them being in long distance. This is about us using them as a sales agent. Now, in terms of toll revenues which was your first question, I'm not interested in intraLATA toll market right now. It doesn't match the assets I have. It is not a good business for me so I've chosen not to offer that. I believe they offer it.

TODD: Okay. So it does not come along automatically. I guess it would just remain with U S WEST if someone chooses the whole package and toll comes along with it, they would just continue.

MACCHIO: I think U S WEST is selling it, by the way, and you know and I guess at some future point. Remember, I'm still thinking about where Qwest brings value is when we get to use this brand new asset which has dramatically lowered cost and dramatically increased capabilities in the existing networks when we get to use that for the benefit of customers when I kind of come off of that space I don't have any inherent advantages that I can pass on to customers so I try to keep my focus pretty narrow here.

TODD: Okay. Thank you. I'll get back in the queue.

LEE: Next question please.

OPERATOR: Tom Freidberg from Yonko Partners [check company name]. Go ahead with your question please.

TOM: Hey, Joe. Couple of questions. I'll try and keep them short. Why did you decide to go with a weekend versus a weekday pricing scheme here instead of doing 7x24 and, kind of a rhetorical question, being the little David here and not having all the advertising resources, what value do you place on the free publicity you're getting with all this controversy?

MACCHIO: Well, the second one is easy. It's invaluable. I haven't had the time to total it up. I'm absolutely amazed that people are giving us all this free publicity. I

almost feel like, remember Cassius Clay/Mohammed Ali used to do a rope a dope? You know, I mean I wish I had thought about it, but the second thing is let's get to your first point. We have several long distance offers out there including a 7x24 offer nationally. Our market research in that region suggested that there was still a demand for peak/off peak type of calling. Remember in Ameritech's region I also have billing and collection agreements with them like other carriers, and I also sell offers in long distance that will compete with Complete Access. I don't expect 100% of the market to move to anything and I've also held my voice over IP separately which is a 7% cent 7x24 and in a few short weeks my [could not understand] guys will probably extend that further East and we'll probably be competing with Ameritech's Complete Access package with our own voice over IP; so I think you've got to kind of step back and say, you know, first of all we are a market segment, all customers don't buy homogenously. Ameritech recognizes that by both using them as a teaming agency here and I directly compete I certainly recognize that I disagree with them on 271 and if the rules were to be set incorrectly it would have a negative adverse impact on us in the long term, I've got some other, what I would call, innovative tricks up our sleeve, for what we would do in that world even if it breaks that way but, you know, that's what competitive markets are about. Now, I've got enough say in the regulatory and judicial process that public policy will not be set based upon the big guys deciding how they want to reallocate market share among themselves. As a matter of fact, I think this Telecom Act was supposedly about new innovation, new technology, new benefits to consumers, not about whether the big guys feel they can swap some long distance share for local share and until that's satisfied nobody's happy. I mean, for Christ's sake, that's not what [unintelligible] was about.

**TOM:** Do you have an offer to do multi-segmentation, for example, doing 7x24 in Ameritech territory and possibly a weekday thing here in U S WEST territory?

**NACCHIO:** Yes, exactly, Tom. We have multiple service offers out there. Now where we kind of step on the gas from a marketing point of view is a function of how we're assessing how the market's responding. I think there's a general move, a general move, for they want simple, fair offers, you know. They don't want nice type. They don't want promos. We know that there's been an enormous consumer response to they don't want to be slammed so, you know if you buy a quart of ice cream you don't want to find out you got your long distance carrier switched because you didn't read the back of the package and the ingredients that said it was on sale. They don't want that stuff. They want to know what they're doing and I want to move our business that same way. In the same period of time there are some

customers who say "Hey, look, I make most of my calling at this period of time and I want a split multi-tiered structure" so, we're just trying to be responsive

**TOM:** Will Sol sell and possibly offer the multi-tier structure under the vis a vis Qwest, or do you think that's something that somebody else might have the opportunity to provide?

**NACCHIO:** I'm sorry. Say that again.

**TOM:** Would Sol possibly offer a multi-tiered structure ala the 7x24 working with you, or do you think that's an opportunity possibly for one of your competitors?

**NACCHIO:** Well, Tom, that's something you got to really ask Sol. I'm not sure what his next plan is.

**TOM:** Okay. Thanks.

**NACCHIO:** Thanks, Tom.

**OPERATOR:** Charles Elewine from Fairlawn [check name and company spelling]. Please go ahead with your question.

**CHARLES:** Hi, Joe. Hi, Lee. Wanted to just ask about the network assets that you have in place over which this traffic will be carried. What percentage of the traffic do you anticipate being carried over the Qwest network versus what percentage carried over [IECs' or Leaf's, couldn't really understand???) network and do you actually have the switches in place to switch voice traffic or will there be some added capital investment there?

**NACCHIO:** Let me come back, you know, what percentage of traffic is carried on the net is a function of where it terminates. Clearly this is an interLATA interstate offer. Our transcontinental cuts through 3 of their states already and we're under construction in the rest of their states at a facility level. In terms of switch ports, yes, we have switches there and we will have more soon. We don't expect capital, particularly as we look out with our impending merger with LCI. One of the reasons we bought them was because we thought there were synergies on capital spending as we described when we made that announcement; so, in the short term I don't see a change in our capital programs. Our network is already in existence. We certainly have to still buy feature group access and we certainly on the terminating side jump off net to complete. You know our network is pretty much built. If you draw a line from Kansas City to Houston and you go to the West that network is pretty much built. We will be announcing the last section, I think, in a few days. The East is under construction. We come to New York, we're building down the

East coast to Washington, down to Atlanta, all the way to Miami is all under construction already; so, I think as the days go by literally we have more and more on net. The economics were constructed obviously to reflect our current state and to get to your macro question I hope we get so much demand that we have to add more capital because we are getting good rates from the capital with these kinds of offers.

**CHARLES:** Do you get a chance just to look at what the average calling pattern is for each of these various regions and where they tend to terminate and have a sense for what percentage of their traffic will be on the Qwest network initially?

**NACCHIO:** Well, you know, I would like to tell you that at Qwest I have at my command the kind of data bases, marketing resources I had at AT&T. The fact is I don't; so, you know, I don't think I can impress you right now by giving you statistics. We certainly know that there's a lot of calling internationally, particularly to Europe, and as you know we now have our own IRUs on 3 cables going to Europe, so we thought that was attractive. We think there's a large community of interest obviously between the 2 Coasts and Chicago, so that was attractive; but I can't give you a point there. You know we're a ubiquitous provider. We try to market a little bit more precisely where our physical asset is so we get better returns but we offer calls and services in all states.

**CHARLES:** Of the 7½ cents per minute, how much of that drops down to the bottom line? Can you talk about margins at all and the economics of the traffic?

**NACCHIO:** I want to come back and suggest, are you talking about my IP call?

**CHARLES:** No. The offer that you're making in conjunction with Ameritech.

**NACCHIO:** Remember it's 7:15 so your average revenue per minute and your average gross margin per customer is about the same as what we did on our flat rate plan with U S WEST. Now, recognize our cost structure is a lot lower than the big incumbents and that allows us to pass some of that advantage on new technology on to the customers and still generate the appropriate cash flows.

**CHARLES:** Can you give any specifics on margins and how much of it drops to the bottom line?

**NACCHIO:** No. No, I can't because of competitive reasons; and I also can't suggest that because I'm in a quiet period obviously in terms of our financials relative to the merger.

**CHARLES:** Lastly, as a consumer in the Chicago area would I need to, I could get the Qwest offering irrespective of the local offering that I subscribe, i.e., I don't need to have the Complete Access in order to get access to the Qwest long distance calling plan you're offering here?

**NACCHIO:** Absolutely. You can call us directly. The benefit of us using Ameritech of course is that it cuts our acquisition cost by half and again for a company like us we have to really watch every dollar.

**CHARLES:** Thank you very much.

**NACCHIO:** Thank you.

**OPERATOR:** Ann Marie Kovacs from Janney, Montgomery, Scott. Please go ahead with your question.

**ANN MARIE:** A couple of questions. Has U S WEST been doing inbound marketing or outbound marketing this week?

**NACCHIO:** I believe both but you need to direct that to U S WEST because I believe also they have different requirements if it's an inbound call than an outbound call, and I'm just not as schooled on how they've done their scripts but clearly on the inbound side there's a much stronger requirement to be equal access capable but, you know, I think both are in effect now. You know, I should point out, particularly in the U S WEST territory since that's our home territory also, at least the city of Denver, we are pretty well known out here and people do ask for Qwest irrespective of this relationship.

**ANN MARIE:** Do you have any sense at all on maximum capacity? I mean if they're getting you 10,000 or more lines a day you could be doing a few million lines very quickly between the two regions.

**NACCHIO:** A few million lines doesn't trouble us in terms of the capacity requirements that we have.

**ANN MARIE:** Switching or anything else?

**NACCHIO:** I'm sorry?

**ANN MARIE:** Switching or anything else?

**NACCHIO:** No. Not at all.

**ANN MARIE:** Great. Thanks.

**NACCHIO:** Thank you.



**OPERATOR:** If there are any additional questions, please press the 1 followed by the 4 at this time. Helen Polski from Regulatory Research Associates. Please go ahead with your question.

**HELEN:** Thank you. Two questions if I could. First, could you describe in what ways the arrangement has been set up to assure that the Bell Company representatives that are marketing the service are neutral in the way they present this offering relative to other companies' offerings? How would you be able to assure regulators that this kind of neutrality would exist on these initiatives; and, secondly, if an Ameritech or U S WEST customer is currently being served for their intraLATA toll business by another company would they be able to sign up for the Qwest package to bundle their interLATA and local offering?

**NACCHIO:** First of all, I think both of those questions are better directed to U S WEST and Ameritech. They have obviously in the spirit of trying to stay within the bounds of regulations and the law carefully scripted their folks, and I just can't reiterate. We do not, as I said to an earlier question, in Qwest offer that intraLATA service. Whether a customer who's only got intraLATA from someone else wants the offer I'm not exactly sure how that gets handled; but I believe if you call either Ameritech or U S WEST they will answer those questions for you.

**HELEN:** Okay. Thank you.

**OPERATOR:** Once again, ladies and gentlemen, if you do have any additional questions, please press the 1 followed by the 4 at this time. I do not show any further questions. Please continue.

**LEE:** Okay. Thank you.

**NACCHIO:** Let me just thank you. I know this was just a bit redundant with some of the information that's already out there, but I thought it was important to hear it from us. We are very pleased that 2 of the Bells have chosen Qwest and I want to point out too that in their public responses both of them stress that one of the reasons -- there were many reasons they picked us, but one of the reasons -- they picked us was because of the quality of this new network that's coming on line and the cost structure it affords for us to compete and therefore be responsive on sharing some of that with customers. They have also been highly complimentary of our responsiveness, our innovativeness and I think that's what this world is supposed to be about; so, you know we're anxious to get any questions about this resolved and we're certainly going to cooperate with anybody who has any questions, but right now it's proceeding and we are delighted that we could strike these arrangements and

give Qwest this kind of booster shot in terms of us being able to reach customers. So, thanks for joining us.

OPERATOR: Ladies and gentlemen, that does conclude our conference call.



**PRESENTATION**

Mr./Ms. \_\_\_\_\_, U S WEST has a terrific way to save you money on your long distance call through U S WEST Buyer's Advantage Program. How it works is that we have teamed up with QWEST Communications and we can now offer you a flat - simple rate of 10 cents per minute, 24 hours a day, 7 days a week, for all your state-to-state calls through QWEST long distance. So now you will have one simple rate that is 10 cents a minute with no hidden charges or monthly fees.

Mr./ Ms. \_\_\_\_\_ we know you have a choice of many long distance carriers, but with QWEST long distance we are bringing you a simple solution of one stop shopping for all your calling needs. The best part is that all your charges will appear on your U S WEST bill and there are no minimum requirements.

How does that sound?

IF YES: Go to Sales Close

IF NO: Go to appropriate objection/response

**SALES CLOSE**

IF AZ:

IF YES: Great! You've made the right choice! In order to maximize your savings, U S WEST is also introducing its Super Savings Plan. With the Super Savings Plan, you also enjoy 10 cents a minute, 24 hours a day, 7 days a week for all your local long distance calls. By local long distance calls we mean your calls from ... to... (use city pair maps to personalize). Mr./Ms. \_\_\_\_\_, as you can see, we are working hard to be your company of choice, so what I would like to do now is bring you back to U S WEST and also process your order for our new U S WEST Buyer's Advantage Program through QWEST long distance, OKAY?

IF NO: Go to best objection/response if appropriate (follow standard 2 rebuttal rule for Pub and 1 for non pub leads)

IF WY:

IF YES: Great! You've made the right choice! In order to maximize your savings, U S WEST is also introducing its Super Savings Plan. With the Super Savings Plan, you also enjoy 14 cents a minute, 24 hours a day, 7 days a week for all your local long distance calls. By local long distance calls we mean your calls from ... to... (use city pair maps to personalize). Mr./Ms. \_\_\_\_\_, as you can see, we are working hard to be your company of choice, so what I would like to do now is bring you back to U S WEST and also process your order for our new U S WEST Buyer's Advantage Program through QWEST long distance, OKAY?

IF NO: Go to best objection/response if appropriate (follow standard 2 rebuttal rule for Pub and 1 for non pub leads)

IF YES TO BUYER'S ADVANTAGE OR/AND TO SUPER SAVINGS FOR AZ & WY:

153M US WTE:21 866T:22 MAY.26.1998

USW 0000055

Great! Thanks for doing business with U S WEST, to show our appreciation, we would like to send you one of our FREE

IF AZ: Innagural Season Arizona Diamondback calling card.

IF WY: U S WEST calling cards.

With our calling card you only pay a flat 20 cents per minute rate with an 80 cents surcharge for all your local and long distance domestic calls. Would you like me to order it?

IF YES: Go to Appropriate Confirmation Close

IF NO: I'll just process your order for the Buyer's Advantage Program through QWEST long distance ( and the U S WEST Super Savings Plan) - If applicable -

### CONFIRMATION CLOSE

(Turn on tape recorder)

Now with your permission, I'd like to voice record the confirmation of your order to ensure its accuracy. Okay?

If any objection at all: That's fine. - I'll just be extra careful and verify all the information manually... (RAISE HAND)

### Confirmation Close 1

U S WEST Buyer's Advantage Program through QWEST Communications and U S WEST Super Savings Plan

Mr./Ms. \_\_\_\_\_, just to confirm:

1. If speaking to label person: I show the billing last name as \_\_\_\_\_, the billing first name as \_\_\_\_\_.

If speaking to label person: Now, Mr./Ms. \_\_\_\_\_, you are placing this order for Mr./Ms. (Label Name), correct?

You have selected QWEST Communications on your billing telephone number (repeat telephone number) Is there another line associated with your account that you would also like changed at this time?

If Yes: request billing telephone number from customer

If No: continue with Confirmation Close

With QWEST long distance you will enjoy a simple - flat rate of 10 cents a minute, 24 hours a day, 7 days a week on all your state-to-state calls and 12 cents a minute for all your in-state calls outside of your local long distance area. Now, let me also confirm that you will enjoy a straight forward - simple rate of ...

IF AZ: 10 cents a minute, 24 hours a day, 7 days a week for all your local long distance calls with the U S WEST Super Savings Plan.

IF WY: 14 cents a minute, 24 hours a day, 7 days a week for all your local long distance calls with the U S WEST Super Savings Plan.

4. There is no charge for bringing you back to U S WEST and the connection charge of \$5.00 to sign you up with QWEST long distance will also be waived.

Your service will be set up in five to seven business days.



The Honorable William L. Dwyer

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

AT&T CORP.,

MCI TELECOMMUNICATIONS  
CORPORATION,

ASSOCIATION FOR LOCAL  
TELECOMMUNICATIONS SERVICES,

McLEOD USA TELECOMMUNICATIONS  
SERVICES, INC.,

ICG COMMUNICATIONS, INC.,

GST TELECOM, INC.,

Plaintiffs,

v.

U S WEST COMMUNICATIONS, INC.,

Defendant.

No. C98-634 WD

EXHIBIT E TO DECLARATION OF  
JOHN A. MCMASTER

**FILED UNDER SEAL**

**EXHIBIT E**





## InterLATA Scripts

New connects and changed responding	<p>"U S WEST provides service within specific areas called U S WEST Zones or LATAs (Local Access and Transport Areas). Long distance calls which cross these zones must be provided by a long distance company. You may choose a long distance company to handle calls made from your home. If you don't know whom you want, I can read a list of the companies available in your area. I would also like to tell you about a long distance service provided by Qwest that we are selling in our Buyer's Advantage package."</p> <p>If customer asks about Buyer's Advantage or Qwest, explain the offer.</p> <p>If customer selects another carrier, do not attempt to sell Buyer's Advantage.</p> <p>If customer selects Qwest, explain Buyer's Advantage.</p>
T&F (moved to new location)	"I see you have long distance company XYZ at your old location. You can keep them or select another company. I would also like to tell you about Buyer's Advantage."
Change orders adding new lines	"I see you have long distance company XYZ on your existing line(s). You can keep them or select another company. I would also like to tell you about Buyer's Advantage."
All other types	Follow the marketing script to sell Buyer's Advantage and disclose that there are other long distance carriers available to choose from.

y:\marketing\public\uswest\scripts3.doc



**U S WEST COMMUNICATIONS  
CONSUMER - BUYER'S ADVANTAGE WITH SUPER SAVINGS**

**OPENING**

Hello, this is (TSR) calling for U S West Communications, your local phone company,  
May I speak with (label name) please?

If available: GO TO INTRODUCTION

If unavailable: Hello, this is (TSR) calling for U S WEST your local  
phone company. May I ask, are you authorized to make the decisions  
regarding your phone service?

If yes: GO TO INTRODUCTION

If no: (NOTE WHEN HE/SHE WILL BE AVAILABLE TO BE CALLED BACK)

If "Is this concerning long distance?"

**MA'AM/SIR, THIS IS U S WEST, YOUR LOCAL PHONE COMPANY  
WITH EXCITING NEWS TO SHARE WITH YOU! (GO TO INTRODUCTION)**

**INTRODUCTION**

Mr./Ms. \_\_\_\_\_, this is (TSR) calling for U S WEST  
Communications, your local phone company. Our records indicate you have  
switched your local long distance company from U S WEST. You are a very valued  
customer that is why we are contacting you about our special one stop shopping  
offer on all your calls - whether they are local or long distance calls! (Continue with  
Presentation)

If Non-Published: Mr./Ms. \_\_\_\_\_, this is (TSR) calling for U S WEST  
Communications your local phone company. We are contacting our customers about  
our special one stop shopping offer on all your calls whether they are local or long  
distance. I'd like to tell you more about it...

IF YES: Continue presentation

IF No: Go to courtesy close

H

May 14, 1998

# Chicago Tribune

the letter of the Telecommunications Act," said Solomon Trubilo, president and CEO of U S West Communications.

regulations prohibiting a Bell company from discriminating in favor of one long-distance carrier over another.

Joining AT&T and MCI are the Association for Local Telecommunications Services, McLeodUSA Telecommunications, ICC Communications and GST Telecom.

Officials at Qwest and U S West denied the charges. "Our new program meets both the spirit and

few days after agreeing to be merged into JRC Communications Inc. based in San Antonio under scores the firm's determination to continue business as an aggressive competitor during the year or more it will take for regulatory review of the merger.

While the Qwest deal won't directly add to Ameritech's bottom line, some analysts see it as a smart marketing move because it helps the company lock up customers while it has virtually 100 percent of the market, so they will be more difficult for AT&T, MCI

and others to steal away later, if and when the competitors win entry into local markets.

"This is a great way for Ameritech to build relationships with its customers," said Andrew Lubetkin, a telecommunications consultant based in Wichita. "It will give them marketing data they don't have now that will help them target customers for more service that will build revenue."

"I think this is a first step, and as they sign up long-distance customers, they'll look for alternative ways that will generate revenue."



The Honorable William L. Dwyer

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

AT&T CORP.,	)	
MCI TELECOMMUNICATIONS	)	No. C98-634 WD
CORPORATION,	)	
ASSOCIATION FOR LOCAL	)	DECLARATION OF CLIFFORD S.
TELECOMMUNICATIONS SERVICES,	)	HOLTZ
McLEOD USA TELECOMMUNICATIONS	)	
SERVICES, INC.,	)	
ICG COMMUNICATIONS, INC.,	)	
GST TELECOM. INC.,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	
U S WEST COMMUNICATIONS, INC.,	)	
	)	
Defendant.	)	

Pursuant to 28 U.S.C. § 1746, I, Clifford S. Holtz, declare as follows:

1. I am currently Vice President, AT&T Metro Markets. In this capacity, I have full profit-and-loss responsibility for AT&T's business customers who bill less than \$1000 per month. I submit this Reply Declaration in support of AT&T Corp.'s ("AT&T") motion for an

1 order requiring U S WEST Communications, Inc. ("U S WEST") immediately to cease the joint  
2 marketing of its local services and the long distance services of Qwest Communications  
3 International Inc. ("Qwest") or any other long distance carriers in the 14 States where U S WEST  
4 has local monopolies.

5 2. The Reply Declaration of John A. McMaster discusses in detail many of the  
6 reasons why U S West's putative offer to make its agreement with Qwest available under the  
7 same terms to AT&T would be impossible for AT&T to accept. I endorse his Declaration in its  
8 entirety. I have prepared this separate declaration to emphasize three additional points that apply  
9 with particular force to the services AT&T provides to small and medium-sized businesses.  
10

11 3. First, as Mr. McMaster explains, one of the most anticompetitive aspects of the  
12 U S WEST/Qwest arrangement is that AT&T, were it to enter into a similar arrangement with U  
13 S WEST, would have to subsidize U S WEST's effort to sell intralata toll service in competition  
14 with AT&T's own intralata toll service. That would be a strikingly anti-consumer development,  
15 because AT&T's intralata toll business service has succeeded in wresting customers from U S  
16 WEST by, among other things, offering substantially lower prices.  
17

18 4. In that regard, we conducted a comparison of AT&T's and U S West's rates in  
19 three of U S WEST's larger States - Minnesota, Washington, and Arizona. In doing our  
20 analysis, we examined U S WEST's "Volume Calling Connection and Multi-Location Option" -  
21 its highest discounted intralata toll offering. We then assumed two typical business customers in  
22 each state - one that makes \$50 per month in intralata toll telephone calls, and another that  
23 makes \$1000 a month in intralata toll calls - and assumed typical peak and off-peak calling  
24 patterns.  
25

26 5. Our analysis showed that the AT&T plan would be 17% less expensive than the U



1 S WEST plan for the \$1000-per-month Minnesota business customer, 34% less expensive for the  
2 \$1000-per-month Washington business customer; and 28% less expensive for the \$1000-per-  
3 month Arizona business customer. It further showed that the AT&T plan would be 25% less  
4 expensive for the \$50-per-month Minnesota business customer; 32% less expensive for the \$50-  
5 per-month Washington business customer; and 33% less expensive for the \$50-per-month  
6 Arizona business customer.

7  
8 6. The significant difference in rates between AT&T and U S WEST for intralata  
9 calls is also reflected in increased business customer demand for AT&T intralata services. For  
10 example, the volume of intralata calls placed over AT&T's network in U S WEST's 14-state  
11 territory more than doubled in the period from February 1997 to December 1997. Customers in  
12 these states are obviously responding to, among other things (i.e., quality of our product and  
13 brand reputation), a less expensive intralata offering.

14 7. Second, Mr. McMaster has addressed some of the ways in which U S WEST is  
15 using its position as "PIC administrator" to discriminate in favor of Qwest and against all other  
16 long distance carriers. See McMaster Reply Declaration, ¶¶ 23-25. U S WEST is discriminating  
17 in the PIC process in other respects as well. For years, AT&T's business markets division has  
18 asked U S WEST to give it "warm transfers." A "warm transfer" would mean that when a small  
19 business customer orders long distance service from AT&T in its conversation with a U S WEST  
20 representative, the U S WEST representative, after taking the order, would directly transfer the  
21 call to AT&T. That would be of substantial value to AT&T (and AT&T offered to compensate  
22 U S WEST for the service), because it would enable AT&T to establish a direct relationship with  
23 the customer, and discuss the customer's service, immediately after the customer had placed the  
24 order. U S WEST has repeatedly refused to make "warm transfers" to AT&T. See Exhibit A.  
25  
26